

COMMUNITY COLLEGES

PUBLIC ACT 295 OF 1998

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	FY 1997-98 YEAR-TO-DATE APPROPRIATIONS	FY 1998-99 ENACTED APPROPRIATION	FY 1998-99 ENACTED CHANGE FROM FY 1997-98	
			AMOUNT	PERCENT
FTE POSITIONS	n/a	n/a	n/a	n/a
GROSS	\$274,977,600	282,000,000	\$7,002,400	2.6
IDG/IDT	0	0	0	n/a
ADJUSTED GROSS	\$274,977,600	\$282,000,000	\$7,002,400	2.6
FEDERAL	0	0	0	0.0
LOCAL	0	0	0	0.0
PRIVATE	0	0	0	0.0
OTHER	0	0	0	0.0
GF/GP	\$274,977,600	\$282,000,000	\$7,002,400	2.6

SB 907

Referred to
Appropriations
02/24/98

Passed Senate
03/25/98

Passed House
06/09/98

Community Colleges

Conference Approved by Senate 07/01/98	Conference Approved by House 07/01/98	Effective 07/28/98
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OVERVIEW - COMMUNITY COLLEGES

The Community College Act of 1966 provided for the creation of community college districts; defined the powers and duties of the board of trustees; and provided for the levy and collection of taxes for operational expenditures. Community colleges play a critical role by providing a means by which citizens are able to access "hands on" practical education and short-term job training.

As part of the Fiscal Year (FY) 1998-99 budget process, the House Appropriations Subcommittee solicited input from the 28 community colleges. Colleges were polled on topical areas such as the Gast-Mathieu Fairness in Funding Formula, Partnership for Employment program, technological needs, Tax Increment Financing Authorities (TIFAs) and tax abatements, co-terminus school districts, and fiscal issues relating to the FY 1998-99 proposed budget. Data culled from the responses were used, in part, to make decisions related to the FY 1998-99 community college budget. Additionally, three off-site hearings were held to garner testimony related to various issues affecting community colleges.

Restructuring of the Public School Employees' Retirement System saved the colleges approximately \$15.9 million due to lower retirement contribution rates. In view of these savings, the Governor recommended no increase for FY 1998-99.

The Senate added approximately \$8.1 million or 3% over current year appropriations. Of the \$8.1 million increase, 1.5% was distributed across the board, while the additional 1.5% was disbursed via the Gast-Mathieu formula. The House added an additional \$4.4 million to the Senate's proposal for a total increase of \$12.5 million or 4.64% in operational funding. Of the \$12.5 million: \$8.1 million was set aside for operational funding, \$1.6 million was earmarked to establish a per-pupil funding floor, \$2.8 million was provided to reimburse colleges for tax revenue loss related to TIFAs and tax abatements, and an increase of \$140,000 was made to the at-risk categorical grant.

Due to anticipated cash flow deficits in FY 1998-99, only \$6.7 million of the \$12.5 million was included in the budget. As part of the FY 1997-98 supplemental, colleges will receive an additional \$5.9 million from FY 1997-98 revenue due to restructuring of the Public School Employees Retirement System. Overall, this represents an increase of \$12.5 million or 4.64% over FY 1997-98 base funding. Historically, annual increases were incorporated in the budget with the distribution mechanism being (1) the Gast-Mathieu formula and/or (2) an across-the-board percentage allocation for each college. This is a shift in the method and mechanism by which colleges were funded in previous budget cycles.

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Community Colleges continued

Following is new boilerplate language:

Tax Increment Financing Authorities (TIFAs) and tax abatements:

Tax Increment Financing Authorities promote development in business districts and economically depressed areas. Public Act 280 of 1986, authorizes TIFAs to capture state and local property tax which is used to finance a wide variety of local programs and projects. Public Act 85 of 1997 required the Department of Treasury to compile data regarding tax revenue losses to community colleges. The report indicated that community colleges lose on average approximately \$11.0 million (annually) in revenue due to TIFAs and tax abatements. The supplemental (SB 905) earmarks \$1.3 million to reimburse community colleges for a portion of their tax revenue loss.

Per pupil funding floor:

To decrease the disparity in per pupil revenue for community colleges with a smaller property tax base, the proposed budget includes intent language to “fully fund” the Gast-Mathieu formula. The FY 1998-99 budget does not include any funds to address this issue.

Language relating to co-terminus community college districts:

The budget also includes language directing the Department of Education to create a task force to study the feasibility of contiguous community college districts and submit a report to both bodies of the Legislature. Testimony from the budget hearings indicates that a significant number of citizens, especially in the Upper Peninsula, do not reside in a community college district. As a result, many citizens have limited access to community college programs and services. Furthermore, accessibility to a community college district affects the cost of a community college education, with students who live in a community college district paying less tuition than those who live outside the district.

Community Colleges

Operational Funding

<u>College</u>	FY 1998-99 Operations <u>Appropriations</u>
ALPENA	\$4,557,252
BAY DE NOC	\$4,220,690
DELTA	\$13,199,307
GLEN OAKS	\$2,010,948
GOGEBIC	\$3,991,939
GRAND RAPIDS	\$17,381,780
HENRY FORD	\$19,643,681
JACKSON	\$11,563,803
KALAMAZOO VALLEY	\$10,108,380
KELLOGG	\$8,387,943
KIRTLAND	\$2,848,415
LAKE MICHIGAN	\$4,589,230
LANSING	\$28,517,734
MACOMB	\$31,109,093
MID-MICHIGAN	\$3,735,994
MONROE	\$3,664,952
MONTCALM	\$2,955,481
MOTT	\$14,602,384
MUSKEGON	\$8,211,204
NORTH CENTRAL	\$2,738,746
NORTHWESTERN	\$8,050,662
OAKLAND	\$20,231,211
ST. CLAIR	\$6,465,131
SCHOOLCRAFT	\$10,982,897
SOUTHWESTERN	\$5,355,807
WASHTENAW	\$10,554,270
WAYNE COUNTY	\$16,066,808
WEST SHORE	<u>\$2,116,692</u>
Total	\$277,862,234

MAJOR BUDGET CHANGES: FY 1998-99

<u>Budget Issue</u>		<u>Change from FY 1997-98</u>
1. <i>Formula Funding</i>		
The FY 1997-98 budget includes an increase of \$6.7 million (GF/GP) or 2.49% in operational funding; 1.25% is distributed via the Gast-Mathieu formula, while the additional 1.24% is allocated across the board.	FTEs	0.0
	Gross	\$6,750,502
	GF/GP	\$6,750,502
2. <i>At-Risk Student Success Program</i>		
This program is designed to address students who need additional preparatory assistance. The FY 1998-99 at-risk appropriations remain at the current year funding level. Each college received a base grant of \$40,000, with the remaining \$2,464,566 distributed based on a three-year average of the number of student contact hours reported for developmental and preparatory instruction.	FTEs	0.0
	Gross	\$0
	GF/GP	\$0
3. <i>Renaissance Zone Tax Reimbursement: Increase</i>		
The FY 1998-99 budget includes an increase of \$264,500 (GF/GP) for a total of \$553,000 to reimburse community colleges that incurred property tax revenue loss in 1998 resulting from Renaissance Zone property tax abatements. The increase is based on data collected by the Department of Treasury.	FTEs	0.0
	Gross	\$264,500
	GF/GP	\$264,500

ECONOMIC AND RETIREMENT ISSUES: FY 1998-99

ECONOMIC ISSUES

None

RETIREMENT ISSUES

None

MAJOR BOILERPLATE CHANGES: FY 1998-99

1. **Payment Schedule Change**

The FY 1998-99 budget includes language which changes the payment schedule from nine equal payments to 11 monthly payments. It is estimated that the state will save between \$1.3 and \$1.6 million in interest borrowing costs.

2. **Tax Increment Financing Authorities/Tax Abatements**

The FY 1998-99 budget includes intent language to reimburse community colleges for tax revenue loss resulting from Tax Increment Financing Authorities and tax abatements. The supplemental (SB 905) earmarks \$1.3 million to reimburse colleges that incurred revenue loss resulting from TIFAs and tax abatements.

3. **Per Pupil Funding Floor**

Boilerplate language is included in the budget which states intent language to establish a per pupil revenue floor by "fully funding" the Gast-Mathieu formula.

4. **Co-terminus Community College Districts**

Language is included which authorizes the Department of Education to create a task force to review the feasibility of reorganizing community college districts. The task force will submit a report to the House and the Senate Appropriations Committees on Community Colleges.

VETOES: FY 1998-99

None

REVENUE INCREASES: FY 1998-99

None

SUPPLEMENTAL APPROPRIATIONS: FY 1997-98

Capital Outlay Supplemental

A portion the Fiscal Year 1998-99 funding for community colleges is included in a one-time supplemental drawn from FY 1997-98 surplus. Approximately \$1.3 million of the \$5.9 million will go toward reimbursing colleges for tax revenue loss due to Tax Increment Financing Authorities and tax abatements.

Gross	\$5,954,975
GF/GP	\$5,954,975